



MEETING DATE: 6/19/06
ITEM NO. 17

COUNCIL/AGENCY AGENDA REPORT

DATE: June 19, 2006

TO: MAYOR AND TOWN COUNCIL/
CHAIR AND MEMBERS OF THE REDEVELOPMENT AGENCY

FROM: TOWN MANAGER/EXECUTIVE DIRECTOR

SUBJECT: ADOPT RESOLUTIONS APPROVING THE TOWN AND
REDEVELOPMENT AGENCY'S FISCAL YEAR 2006/07 OPERATING
BUDGET, CAPITAL IMPROVEMENT PLAN FOR FISCAL YEARS
2006/07-2010/11, CARRY-FORWARD APPROPRIATIONS, AND OTHER
APPROVED ADJUSTMENTS AND MINOR CORRECTIONS

RECOMMENDATION:

1. Adopt resolution approving the 2006/07 Operating and Capital Summary Budget and the FYs 2006/07-2010/11 Capital Improvement Plan for the Town of Los Gatos, directing staff to incorporate within the final adopted budget any changes related to Council approved meet and confer process or management compensation plan amendments, classification adjustments or minor corrections, carryforward appropriations, changes due to more refined estimates and grant approvals, or additional Town Council direction received by staff upon adoption of the budget.
2. Adopt resolution approving the FY 2006/07 Operating and Capital Summary Budget and the FYs 2006/07-2010/11 Capital Improvement Plan for the Redevelopment Agency of Los Gatos, directing staff to incorporate within the final adopted budget any changes related to Council approved meet and confer process or management compensation plan amendments, classification adjustments or minor corrections, carryforward appropriations, changes due to more refined estimates and grant approvals, or additional Town Council direction received by staff upon adoption of the budget.


PREPARED BY: **STEPHEN CONWAY**
Finance & Administrative Services Director

N:\FINANCE\Council Staff Reports\Budget\FY 2006-07\Budget Adoption\2006-07 TCR Budget Adopt
(Operating-CIP-RDA).wpd

Reviewed by: SS Assistant Town Manager OK Town Attorney _____ Clerk _____ Finance
_____ Community Development Revised: 6/14/06 4:14 pm

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MAYOR AND TOWN COUNCIL

SUBJECT: ADOPT RESOLUTION APPROVING THE 2005/06 OPERATING/CAPITAL
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BACKGROUND:

A public hearing was held on the Town and Redevelopment Agency's Operating & Capital Summary Budget, and FYs 2006/07 - 2010/11 Capital Improvement Plan on May 15, 2006. Council approved both the Proposed Town and RDA Operating and Capital Budget for FY 2006/07, and the Proposed FYs 2006/07 - 2010/11 Capital Improvement Plan (CIP).

As a result of additional information received subsequent to this meeting date, staff recommends several appropriation modifications to the Proposed Operating and Capital Budget and CIP, as detailed in the following discussion. Any additional changes or corrections directed by the Town Council upon adoption of the budget can be incorporated into the final authorized budget as provided for in the adopted Budget Resolution.

On June 14, 2006, the Planning Commission reviewed the CIP as required by State law. The Commission determined that the CIP is consistent with the General Plan, and all specific plans. Upon this determination, the Planning Commission recommended Council approve the FY 2006/07-2010/11 CIP.

DISCUSSION:

RECOMMENDED MODIFICATIONS TO THE PROPOSED BUDGET AND CIP

Staff recommends the following modifications to the Proposed Budget and CIP; all adjustments in capital improvement projects:

1. Staff's review of the Redevelopment Agency's funding uses determined a portion of the Downtown Street Resurfacing project for storm drain improvements on North Santa Cruz Avenue in FY 2002/03 was paid for by Redevelopment Agency funds. Staff determined it was appropriate to fund this storm drain work from Storm Drain Basin funding and requested approval for the reallocation of funding. With this funding reallocation, \$400,000 of RDA funds are returned to the agency and made available for appropriation for the remainder of the Downtown Street Resurfacing project. Additionally, \$25,000 of funding remaining from the Parking Lot 5 project was re-appropriated to the Downtown Street Resurfacing Project. Council approved these changes in the June 5, 2006 Council Meeting and are reflected in the FY 2006/07 final budget documents.
2. Council also approved \$255,000 of additional funding for the Los Gatos Almaden Road Street Improvement Project at the June 5, 2006 Town Council Meeting, with a Fund Balance transfer from the General Fund's Capital and Special Projects Reserve. A FY 2005/06 budget adjustment for this transfer to GFAR is reflected in the FY 2006/07 final budget documents.
3. The Highway 9 Safety Improvements Project was originally planned to begin in FY 2005/06 with Bicycle Safety grant funding, and additional interagency funding from Monte Sereno, Saratoga, and Los Gatos. Project approval from Caltrans was delayed and the project is now scheduled to begin in FY 2006/07. As a result, funding appropriations and expenditures were realigned to FY 2006/07 in the final budget document to reflect this change.

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4. Staff determined the Wedgewood Avenue Storm Basin Improvement Project was incorrectly appropriated in Storm Drain Basin #2 in the FY 2005/06 budget and brought forward into this year's proposed CIP budget. The project site was subsequently determined to be located in Storm Drain Basin #3. Corrections to budget appropriations and past expenditures were entered for the FY 2006/07 final budget document.

The table below presents revised summary fund information which incorporates these modifications into the FY 2006/07 proposed budget reviewed by Town Council on May 15, 2006.

	FY 2006/07 Proposed Budget	Budget Revisions	FY 2006/07 Recommended Budget
TOWN REVENUES & OTHER FUNDING SOURCES			
General Fund	28,332,820	-	28,332,820
Special Revenue Funds	780,915	-	780,915
Internal Service Funds	4,082,030	-	4,082,030
Trust & Agency Funds	177,440	-	177,440
Capital Project Funds	4,824,379	1,718,000	6,542,379
Redevelopment Agency Funds	6,742,210	-	6,742,210
Total Town Revenues & Transfers In	44,939,794	1,718,000	46,657,794
Plus Use of Reserve Funding			
Use of Capital Project Fund Balance for Capital Projects	3,760,549	(1,444,000)	2,316,549
Use of RDA Fund Balance for Capital Projects	871,850	425,000	1,296,850
Use of State ERAF Reserve	480,000	-	480,000
Total Use of Reserve Funding	5,112,399	(1,019,000)	4,093,399
TOTAL TOWN REVENUES & OTHER FUNDING SOURCES	50,052,193	699,000	50,751,193
TOTAL TOWN EXPENDITURES, TRANSFERS OUT & CARRYFORWARD APPROPRIATIONS			
General Fund	28,614,645	-	28,614,645
Special Revenue Funds	1,003,415	-	1,003,415
Internal Service Funds	5,260,460	-	5,260,460
Trust & Agency Funds	193,400	-	193,400
Capital Project Funds	8,512,843	325,000	8,837,843
Redevelopment Agency Funds	6,180,740	425,000	6,605,740
TOTAL TOWN EXPENDITURES & OTHER FUNDING USES	49,765,503	750,000	50,515,503
TOTAL SOURCES OVER USES OF FUNDS	286,690	(51,000)	235,690

The revised Town and RDA Recommended Budget for FY 2006/07 retains a small surplus of revenues and other funding sources above expenditures with total revenues and other funding sources of \$50,751,193 exceeding total operating and capital expenditures of \$50,515,503.

As demonstrated in the Fund Balance Activity Summary in the Financial Summaries section of the FY 2006/07 Operating and Capital Budget (page C-23), the Town's Capital Project, and the RDA Capital Projects and Debt Service Funds have sufficient fund balance projected to be available to cover an operating revenue shortfall, if one should occur. Per accounting principles, "reserves" are not classified as revenues; instead they are shown as "Reserve Funding" in the table above.

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OTHER PENDING BUDGET ISSUES

Encumbered Items Outstanding at June 30, 2006

Town policy calls for unexpended encumbered funds to lapse at the end of the fiscal year. However, Town policy also provides that valid encumbrances open at the end of the fiscal year may be carried forward to the following fiscal year and re-appropriated from the encumbrance reserve dollars set aside upon the close of the prior fiscal year.

Because of the need to reduce expenditures, the majority of encumbrances will either be closed out during the year-end process or paid in full by the time of the final fiscal year close-out and will not be carried forward to FY 2006/07. Only on an exception basis through Town Manager's approval are outstanding encumbrances or unspent appropriated balances from the prior year carried forward. These amounts will be reserved in their respective funds at year end under a designated reserve. Capital Project Fund appropriations differ in that encumbrances are carried forward to the following fiscal year until the projects are completed.

Non-Encumbered Items

In addition to the open encumbrances outstanding at year-end, staff is proposing to bring forward remaining current year appropriations for unexpended balances in its grant funded operating projects. Grants provide matching revenues for expenditures and often span two or three fiscal years in their program or project implementation.

Final Adopted Budget Changes FY 2006/07

The resolution adopting the FY 2006/07 recommended budget directs staff to include changes resulting from Council approval of the meet and confer process or management compensation plan, from classification adjustments or miscellaneous corrections, from changes due to more refined estimates or grant approvals, or from further Town Council consensus direction received on June 19, 2006 that will cause the final published budget to differ slightly from what is presented for adoption. Other minor adjustments as authorized by Town Council on June 19th will be incorporated within the final published budget document thereby not requiring a second adoption of the annual budget.

FISCAL IMPACT

The fiscal impacts of the Town and Redevelopment Agency's FY 2006/07 Operating and Capital Budgets are provided in the Financial Summaries section of the budget document including estimates of Fund Reserves at June 30, 2007.

As stated by staff at the public hearing on May 15, 2006, the Town will continue to monitor local economic developments and associated impacts to the Town and RDA's adopted FY 2006/07 budgets. It is currently anticipated that staff will bring forward any further adjustments necessary in the Town's mid year budget review. These adjustments may include some further actions

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necessary to align operating revenues with expenditures, however staff cannot determine at this time whether or not these will be required.

Attachments:

1. Resolution Approving Town of Los Gatos' FY 2006/07 Operating and Capital Summary Budget and FY 2006/07 - 20010/11 Capital Improvement Program Budget.
2. Resolution Approving the Los Gatos Redevelopment Agency's FY 2006/07 Operating and Capital Summary Budget and FY 2006/07 - 20010/11 Capital Improvement Program Budget.

RESOLUTION 2006-

**RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS
APPROVING FY 2006/07 OPERATING BUDGET & FY's 2006/07 - 2010/11 CAPITAL BUDGET
AND CARRY-FORWARD APPROPRIATIONS AND OTHER APPROVED ADJUSTMENTS
RELATING TO MEET AND CONFER PROCESS, MANAGEMENT COMPENSATION PLAN,
CLASSIFICATION ADJUSTMENTS, MINOR CORRECTIONS, AND REFINED ESTIMATES**

WHEREAS, Section 2.30.295(b) of the Los Gatos Town Code requires the Town Manager to annually prepare and submit a budget to the Town Council and be responsible for its administration; and

WHEREAS, the Town Manager did submit a proposed budget for the 2006/07 to the Town Council; and

WHEREAS, the Town Manager did submit a proposed five-year capital improvement plan for FY's 2006/07 – 2010/11; and

WHEREAS, the Town Council has considered and reviewed said proposed budget and capital improvement plan during public hearings.

RESOLVED, that the Town Council hereby adopts as the budget for the Town of Los Gatos for the 2006/07 fiscal year the schedule entitled "Total Town Revenues By Fund and Total Town Expenditures By Fund" including the first year (FY 2006/07) of the Town's Capital Improvement Program budget as contained in the Town's FY's 2006/07 – 2010/11 Capital Improvement Plan.

BE IT FURTHER RESOLVED, that the final adopted budget includes approved carry-forward appropriations for unspent operating grants and pass-throughs from FY 2005/06, and that there be carried forward from prior year's Reserve for Encumbrances within each fund an amount sufficient to cover approved outstanding encumbrances as of June 30, 2006;

BE IT FURTHER RESOLVED, that the Town Council hereby directs staff that any changes or impacts resulting from: Council approval of the meet and confer process or management compensation plan; from classification adjustments or miscellaneous corrections; from changes due to more refined estimates or grant approvals; or from further Town Council consensus direction received on June 19, 2006, be incorporated within the final FY 2006/07 Operating and Capital Budget.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 19th day of June, 2006 by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS

LOS GATOS, CALIFORNIA

ATTEST:

CLERK OF THE TOWN OF LOS GATOS

LOS GATOS, CALIFORNIA

RESOLUTION 2006-

**RESOLUTION OF THE REDEVELOPMENT AGENCY
CONSENTING TO THE PROVISION OF PUBLIC IMPROVEMENTS BY THE LOS GATOS
REDEVELOPMENT AGENCY AND MAKING MANDATORY FINDINGS IN REGARDS TO
CAPITAL PROJECTS PROVIDED FOR IN THE LOS GATOS REDEVELOPMENT AGENCY
FY 2006/07 OPERATING AND FY's 2006/07 - 2010/11 CAPITAL IMPROVEMENT PLAN**

WHEREAS, Section 33445 of the Health and Safety Code requires the local legislative body to consent to the provision of public improvements by its Redevelopment Agency and make findings: 1) that the public improvements are of benefit to the project area or the immediate neighborhood of the project area; 2) that no other reasonable means of financing such public improvements are available to the community, and; 3) that the Agency's contribution to the cost of the public improvement or facility will assist in eliminating one or more blighting conditions in the project area, and is consistent with the Agency's implementation plan adopted pursuant to Section 33490 of the Health and Safety Code, the ("Implementation Plan"), and

WHEREAS, the Redevelopment Agency's FY 2006/07 - 2010/11 Capital Budget provides funding for the following projects (the "Projects"): 1) Downtown Street Resurfacing; 2) S. Santa Cruz Avenue/Wood Road Gateway;

WHEREAS, the Projects will be of substantial benefit to the downtown business district and surrounding areas of the Central Los Gatos Redevelopment Project Area (the "Project Area") established pursuant to the 1991 Redevelopment Plan (the "Redevelopment Plan");

WHEREAS, the Town has limited financial resources for capital improvements and these funds are committed to other critical infrastructure needs of the Town such as repairing aging streets outside of the Project Area;

WHEREAS, the Projects have been specifically called for in the Town's Redevelopment Plan and Implementation Plan; and

WHEREAS, the Downtown infrastructure was initially in a deteriorated condition with broken pavement, deteriorated streets and alleys, deteriorated sidewalks, and functionally obsolescent, and the capital projects have helped, and continue to help, eliminate these blighting conditions;

THEREFORE BE IT RESOLVED, that the Town Council of the TOWN OF LOS GATOS does hereby consent to the provision of funding for the Capital Projects by the Los Gatos Redevelopment Agency in accordance with the Agency's FY 2006/07 Operating and FY 2006/07 - 2010/11 Capital Improvement Program budgets totaling adopted revenues of \$6,742,210 and expenditures of \$5,308,890 (prior to carry-forward appropriations); and

BE IT FURTHER RESOLVED, that the Agency Board hereby finds that the Projects are of benefit to the Project Area and the immediate neighborhood of the Project Area; and

BE IT FURTHER RESOLVED, that the Agency Board hereby finds that no other reasonable means of financing such public improvements are available to the community; and

BE IT FURTHER RESOLVED, that the Agency Board hereby finds that the Los Gatos Redevelopment Agency's contribution to the cost of the public improvements will assist in eliminating blighting conditions in the Project Area, and is consistent with the Implementation Plan.

BE IT FURTHER RESOLVED, that the Agency Board hereby directs staff that any changes or impacts resulting from: Council approval of the meet and confer process or management compensation plan; from classification adjustments or miscellaneous corrections; from changes due to more refined estimates or grant approvals; or from further Agency Board consensus direction received June 19, 2006, be incorporated within the final FY 2006/07 Operating and Capital Budget.

PASSED AND ADOPTED at a regular meeting of the Redevelopment Agency of the Town of Los Gatos held the 19th day of June, 2006, by the following vote:

REDEVELOPMENT AGENCY MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

CHAIR OF THE REDEVELOPMENT AGENCY
TOWN OF LOS GATOS, CALIFORNIA

ATTEST:

SECRETARY OF THE REDEVELOPMENT AGENCY
TOWN OF LOS GATOS, CALIFORNIA